

VZCZCXRO3735
RR RUEHLN RUEHVK RUEHYG
DE RUEHDBU #1846/01 2830554
ZNR UUUUU ZZH
R 100554Z OCT 06
FM AMEMBASSY DUSHANBE
TO RUEHC/SECSTATE WASHDC 8770
INFO RUCNCIS/CIS COLLECTIVE
RUEHNE/AMEMBASSY NEW DELHI 1865
RUEHBUL/AMEMBASSY KABUL 1815
RUEHIL/AMEMBASSY ISLAMABAD 1857
RHEFDIA/DIA WASHINGTON DC
RUEAIIA/CIA WASHDC
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHDBU/AMEMBASSY DUSHANBE 0211

UNCLAS SECTION 01 OF 02 DUSHANBE 001846

SIPDIS

SIPDIS

STATE FOR SCA/CEN

E.O. 12958: N/A

TAGS: [EAGR](#) [ECON](#) [EFIN](#) [EINV](#) [EIND](#) [ELAB](#) [EAID](#) [ETRD](#) [PGOV](#) [TI](#)
SUBJECT: SOUTHERN TAJIKISTAN'S RUSTED BELT: INDUSTRY IN
QURGHON-TEPPA

REF: DUSHANBE 1625

DUSHANBE 00001846 001.2 OF 002

¶1. (U) INTRODUCTION: Called Kurgan-Tube by the Soviets, Qurghon-Teppa is a depressed city of 80,000 people, sixty minutes south of Dushanbe in the Khatlon region. Remains of the city's crumbling industrial infrastructure line city streets. The mayor threatened to re-nationalize failing industries if they fail to increase production. Meanwhile, major factories eagerly await completion of the U.S.-funded Nizhny Pyanj bridge so they can increase exports to Afghanistan. The few hotels in the city do not even meet Dushanbe's post-Soviet standards, let alone international norms. Oblivious to these problems, a private entrepreneur is pouring millions of dollars into renovation of an airport that hardly anyone uses. END INTRODUCTION.

¶2. (U) The largest factory located near Qurghon-Teppa is called VATZ, a nitrogen fertilizer plant. In an astonishing chemical process, "carbomid" nitrogen fertilizer is produced by combining the two ingredients air and natural gas. VATZ receives natural gas from Uzbekistan, and is the single largest user of natural gas in Tajikistan. VATZ receives air inputs for free. The company exports 20% of its product to Iran, Afghanistan, and previously to China. The company plans to greatly increase its sales to Afghanistan with completion of the U.S.-funded Nizhny Pyanj bridge. A businessman from Cyprus invested \$17 million to renovate the plant, and now owns 80% of VATZ shares. The company employs 1,200 workers, who enjoy decent medical and social benefits. Problematically, days after the visit by EmbOffs, VATZ directors decided to close the plant temporarily due to a lack of natural gas from Uzbekistan. (Note: According to some press reports, VATZ's disputed bills for natural gas are a major pretext for Uzbekistan's periodic shut-down of gas supplies to Tajikistan.) Tajik farmers can still import fertilizer from Russia. In addition, Turkmenistan is currently building a carbomid plant which will produce double the capacity of the Tajik plant - 350,000 tons. Presumably, they will receive a steady supply of natural gas internally.

¶3. (U) The second largest factory in Qurghon-Teppa is 70 years old and produces electrical transformers for Tajikistan and Afghanistan. Since its renovation in 1960, the factory has not installed new equipment, but manages to produce 400 working transformers each year. The government-owned Kurgan Tube

Transformer Company imports parts from Russia and Ukraine, with aluminum inputs from Tajikistan. The company sells 60% of its products through Barki Tojik, the state-owned power company.

¶4. (U) The director of the company, Zikirullo Muroduloevich Begmatov, is the son-in-law of the acting chairman of Khatlon Oblast. Barki Tojik owes the company \$1 million for delivered goods. Begmatov told EmbOfs September 22 that the U.S.-funded Nizhniy Pyanj bridge will allow the company to greatly expand its deliveries to Afghanistan. The 200 factory workers earn on average \$70 per month. The company currently brings in \$3 million in annual income, with \$250,000 profit. According to Muroduloevich, Chinese investors have expressed interest in the plant, but made no commitments.

¶5. (U) In the farming sector, the relative success of a small farm and a large farm demonstrate that sometimes, size does matter. Abdurazok Abdullaev farms 25 hectares of cotton, and is deeply in debt to a commodities "futures" holding company "TAMER." TAMER financed his land but did not show Abdullaev the contract. TAMER does not disclose the prices of farming inputs it supplies, or how much it will pay for the cotton Abdullaev will supply at season's end. Abdullaev is highly unlikely to pay off his \$1,300 per hectare debt anytime soon.

¶6. (U) A 408-hectare cotton farm owned by Raidin Sulaimonov employs 600 people. Raidin managed to switch away from TAMER to another futures company that provides better prices for fuel and fertilizer supplies. Each year, Raidin has paid off 25% of its \$450 debt per hectare, and hopes to be debt-free by 2008. Unfortunately, many farmers lack the ability to get out from under rapacious futures companies.

¶7. (U) The privately-owned NUR Company plans to invest up to \$15 million in revitalizing the sparingly-used Qurghon-Teppa airport (reftel). NUR's main engineer for the project Mirhodjaev Umarhodja showed EmbOfs design plans for the site September 22, which include 6,000 square meters of terminal

DUSHANBE 00001846 002.2 OF 002

space, able to accommodate 600 passengers per hour. NUR plans to complete construction by summer 2007. NUR's plans to lease four Yak-42's for flights between Qurghon-Teppa and Saratov, Russia, (reftel) failed financially, and are not operating.

¶8. (U) COMMENT: Although a large population of migrant workers flies in and out of Qurghon-Teppa each year, this does not seem sufficient to pay off a major airport infrastructure investment. The region's economy lacks the dynamism to support major domestic or international travel. Without significant land reform and debt restructuring for the cotton farmers, the region's prospects will remain bleak. END COMMENT.
HUSHEK